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SUBJECT: ISRAEL LEVELS THE PLAYING FIELD FOR U.S. PISTACHIO  
EXPORTERS

¶1. Israel announced on March 30 that it was imposing tariff of 23 percent on pistachio imports, except for a duty-free quota of 100 tons of Turkish pistachios under the Israel-Turkey trade agreement. "Turkish" pistachios above the 100-ton quota are widely believed to be of Iranian origin. Smuggling of Iranian pistachios via Turkey has been a problem for U.S. exporters for more than 15 years, crowding them out of a significant export market. Israel is one of the world's largest per capita consumers of pistachios. While Israel's import data on pistachios from Turkey has never matched Turkish government export statistics, the GOI had found it difficult to block the illegal trade due to political sensitivities and lack of conclusive scientific proof that the pistachios entering Israel were of Iranian origin. The quota restriction and tariff imposition is expected to make the Iranian nuts more expensive, making the higher quality U.S. product much more attractive to the Israeli consumer. A major U.S. pistachio company is already mapping out a large marketing campaign to take advantage of this new opportunity.

¶2. COMMENT: The push to impose a quota on Turkish pistachios and increase the duty was a direct result of USG engagement with the GOI on behalf of American growers and exporters. While the new rules may not stop the flow of Iranian product completely it will reduce it substantially. The GOI intends to raise the smuggling issue with their Turkish counterparts at the annual bilateral trade meeting in June. In any case, the duty increase is a valuable first step toward ending this long-standing bilateral trade irritant.

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